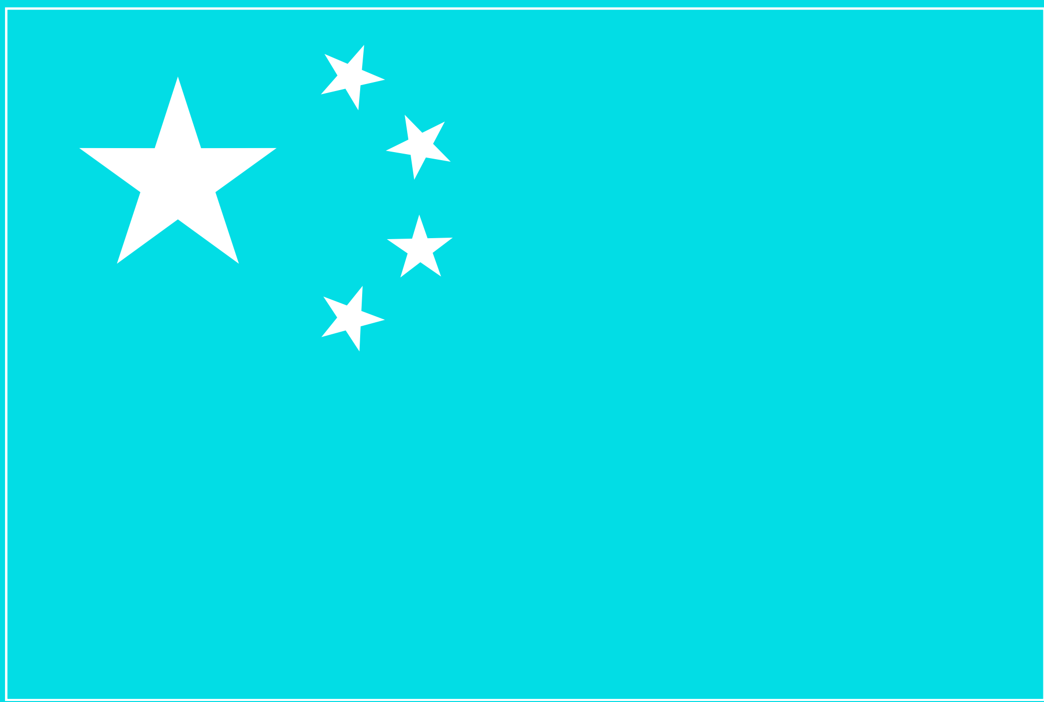
AUDIOVISUAL FINLAND

Market Study: **China**



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Market Study: China

1. Introduction

Between 2015 and 2017, China has maintained a strong economic position, currently contributing 14.8% of the world's GDP value and standing as the second largest economy in the world.

The television market is also growing at a staggering pace. Whilst broadcasters are rapidly integrating and consolidating, the number of television channels available continues to increase. Statistics revealed that in 2016 China had 2,515 TV stations, and 10,364 TV production companies (though it should be noted for the purposes of this report that only a very small percentage of these will be of interest to outside companies looking to work in China). In the first half of 2017 the television and film industry yielded a combined profit of US$11 billion.

Primetime audiences in China are huge. By 2013, television was already available to 98.42% of the population — equivalent to approximately 1.339 billion people. The audience for state broadcaster CCTV's (China Central Television) gala entertainment event shows reach over 800 million worldwide in some cases, with highs of 690 million viewers from mainland China. Even regional channels can frequently attract 50 million viewers.

Advertising revenues can be sky high amongst the top broadcasters, with the caveat that this has increasingly resulted in advertising revenue for 'second tier' broadcasters dropping off. In 2016, cosmetics company KANS exclusively sponsored talk show ***Day Day Up*** for the sum of US$150 million. ***The Voice of China*** (season three) achieved a Chinese record for advertising – US$1.61 million for a 60 second slot during the final episode.

By June 2017 the number of internet users had reached 751 million; 96.3% of whom have mobile access, with 70% using mobile as a platform for watching TV. The past few years have seen the nation's streaming services up the stakes massively - creating huge amounts of original content and posing a real threat to linear TV's dominance.

All the above factors combine to make an attractive potential marketplace, albeit one which few non-Chinese TV and content creators have been able to maximise the potential of. Despite the eagerness of many players in China to work with outside parties, the differences between the markets and cultures in the west, and those in this huge asian nation, complicate things significantly. There is much to understand, and learning it can be time consuming; so much so that the official themes of the 2014 US-China Film and TV International Expo in L.A. were 'patience' and 'perseverance'.

Also complicating matters are the litany of constantly evolving restrictions imposed by government body the State Administration of Press, Publication, Radio, Film and Television (SAPPRFT). For small-to-medium sized companies with their eyes on China, these hurdles will be especially difficult to assail.

Alongside strict censorship of certain subject matters the most restrictive state-imposed regulations, for the purpose of this report, are:

- Imported formats and finished programming are no longer allowed to air on satellite TV in primetime (7-10pm) whatsoever.
- If broadcasters have collaborated with foreign production companies on a piece of content, but do not fully own the copyright of the finished product, then the government will consider the programmes to be foreign, and subject to the applicable restrictions.
- Only one foreign format can be purchased per year by each satellite television channel.
- Korean formats, previously the most commonly imported into the nation by a good margin, have been unofficially banned from China. The move came following the diplomatic tensions between the two countries over THAAD missile defence system. The ban also includes K-Pop music and other Korean cultural imports.

However, with these restrictions seemingly not actually achieving their designed purpose of boosting self innovation amongst the Chinese, expect them to be softened before long. In fact, these rules have seen a return to prominence of the unauthorised 'inspired-by' series which previously dominated the market. In some cases, existing foreign formats have had their titles and content altered, often subtly, in order to make them 'original' and exempt from rulings on foreign IP.

On the point of the last restriction listed above; the ban on Korean content, it appears that as of November 2017 this ruling could already be on the way out. With relations between the two countries improving, Korean girl group Mamamoo performed songs for a Sichuan-based provincial satellite TV channel. Sources close to the situation meanwhile have claimed that talks between Chinese streaming services and K-Drama producers have resumed. This illustrates two points, firstly; the extremely close link between the will of the Communist Party and what makes it to air in China, and secondly; that for other foreign groups wishing to enter the market, it may be best to wait for a more opportune moment to make a move.

Even with these hurdles, the sheer size of the Chinese media market and the speed of its growth makes it alluring to producers, especially from nations which have official co-production treaties that enable projects to bypass foreign release restrictions. Both the UK and New Zealand have signed TV co-production treaties with China in recent years, resulting in a number of interesting collaborative TV projects.

This report aims to provide a detailed overview of the status quo in China, and to prepare you for doing business there; who are the main players and what are their interests and specialities? What challenges can you expect when working with Chinese companies? What other nuances should you be aware of?

Accompanying the report is our list of key contacts - a valuable resource considering the absolutely vital nature of establishing contact with individuals with their feet on the ground, who understand the inner workings and business culture of the country.

2. Linear Broadcasting

2.1. INTRODUCTION

Below is information on China's biggest, and most internationally co-operative, broadcasters. Please see the accompanying contacts database for information on the smaller groups.

Also listed are recent notable programming examples. Rather than give an exhaustive list of each group's top content, these examples are designed to reflect the predominant trends of the minute, as well as some of the more unique culture-specific aspects of the market before they are discussed in greater detail later on.

According to 2014 research, there are currently 21 satellite channels which reach *at least* **1 billion** of China's 1.37 billion people. These are:

- All 15 of CCTV's main satellite channels. In addition to **CCTV1**, China's most watched generalist channel, these include channels dedicated to the likes of finance, drama, sports, children's TV, music and more.
- Six provincially-based, but nationally-accessible satellite channels:
  - Hunan Broadcasting System's **Hunan TV**
  - Phoenix Satellite Television's **Phoenix TV**
  - Shanghai Media Group's **Dragon TV**
  - Jiangsu Broadcasting Corporation's **Jiangsu TV**
  - Zhejiang Radio and Television Group's **Zhejiang TV**
  - Shenzhen Media Group's **Shenzhen TV**

(all of the above also operate a number of less-widely available channels, which like CCTV's other frequencies – specialise in various genres)

In addition to these main players, there are 40 other provincially based channels which are available to varying percentages of the Chinese population. These produce less original content, with much smaller budgets, and should be of less interest to parties looking to break into China.

2.2. ON RATINGS

TV ratings in China are notoriously unreliable and difficult to obtain, so much so that Nielsen has withdrawn from the market citing the difficulty of achieving reliable viewer data.

Currently, the most accurate ratings available are CCTV's various CSM Media Research indexes. Broadcasters will also commonly publish figures themselves if a show performs particularly strongly.

Controversies surrounding bribery of ratings companies exist across China, with broadcasters paying ratings companies for better figures. Even state regulator

SAPPRFT constantly stresses that ratings should not be relied upon as indicators of a successful show.

Despite these difficulties, it's commonly accepted that three top most watched networks are **CCTV1**, **Hunan TV** and **Dragon TV**.

Another issue with solely relying on traditional ratings, and this is not restricted to China of course, is the rapid rise of internet platforms – in China these include Tencent Video, iQiyi, and Youku Tudou (see OTT section for more), all of which are steadily enticing viewers and advertising yuan away from linear TV.

2.3. KEY BROADCASTERS

CCTV (China Central Television)
www.cctv.com

The state-owned Chinese broadcaster has 42 channels, of which 29 are Free-To-Air (FTA) and 13 digital Pay TV. CCTV is also China's most prolific television producer.

CCTV has channels dedicated to specific genres, with CCTV1 acting as its flagship entertainment and drama platform. Outside of CCTV1, its other nationally-available channels are home to dedicated line-ups of news, entertainment, drama, soap operas, documentary, music, children's and sports programming.

In particular, CCTV is looking to co-produce high quality documentaries, with particular interest in factual shows that reflect Chinese culture, the rapid growth of China (e.g. shows about large building projects), and 'China relevant issues told in an international manner'.

The regulatory support for CCTV from fellow state-owned body SAPPRFT cannot be underestimated. Because of this, working with CCTV rather than the private channels can lessen the number of hoops outside parties have to jump through.

Recent notable programming examples:

The Reader (朗读者)
CCTV's original cultural variety show features groups of people sharing personal stories and reading passages from their favourite novels. In line with the Chinese government and SAPPRFT's wishes for television to 'nourish' the citizenship, the programme aims to promote literacy, culture and education. Besides reading programmes, poetry-focused game shows like Zhejiang TV's ***Go up, Poetry!*** and CCTV's own ***Chinese Poetry Contest***, and opera-focused talent shows such as Dragon TV's ***Bravo China***, are further examples of this state-encouraged trend for the promotion of culture.

Shanghai Media Group (SMG)
www.smg.cn

SMG is the largest media group in China after CCTV in terms of scale and turnover. The company has a long history of working with western companies, and with plenty of commissioning clout, would make as good a co-production partner as any in the territory if presented with the right project. An industry insider who has worked closely on one of the biggest recent international co-productions name-checked SMG as having one of the best reputations when it comes to working with outsiders.

Amongst its roster of 15 FTA TV channels and 15 national Pay TV channels, SMG's principal TV channel is nationally-available satellite station **Dragon TV** (www.dragontv.cn).

Wings Media (www.wingsmedia.com.cn) is SMG's acquisition and international distribution arm.

Recent notable programming examples:

Top Funny Comedian (欢乐喜剧人)
A range of comedy styles, from stand-up to slapstick, are featured in this talent show style competition. Produced by Dragon TV, this unscripted comedy programme has ignited a trend for similar shows. Launching in 2015, the show finished its third season in April 2017.

The First Half Of My Life (我的前半生)
Drama following the lives, loves and professional careers of a group of modern city dwellers. Airing in 2017, the series won big ratings and praise for its accuracy of depicting modern urban life in China.

Hunan Broadcasting System

www.hunantv.com

Hunan Broadcasting System's flagship Hunan TV embraces the new, and is currently the second-most watched individual channel in China behind CCTV1, though its bigger entertainment formats can frequently outperform CCTV's primetime line-ups. The station became a subsidiary of state-owned enterprise Golden Eagle Broadcasting System in 2000.

Hunan was the first Chinese broadcaster to embrace foreign formats - beginning with ***Strictly Come Dancing*** and ***Just The Two Of Us*** in 2007. It then produced local versions of ***Take Me Out*** in 2009, ***Top Gear*** in 2011 and Korean entertainment and celebrity singing format ***I Am A Singer*** in 2013.

Hunan TV has learnt well from foreign formats and one of its goals now is to promote originality and carve out its own IP. Unfortunately, our sources have indicated that doing business with Hunan can be perilous, especially for smaller companies - making good legal representation and strong negotiation vital.

Hunan also operates online video service Mango TV - which plays host to Hunan TV content as a well as a good amount of original content. Mango is representative of the wider move from Chinese broadcasters to keep up with the OTT services by launching their own equivalents.

Recent notable programming examples:

Dad Where Are We Going? (爸爸去哪儿)
One of the most successful of the imported Korean formats, broadcast on Hunan Television since October 2013, it follows fathers and their children as they take road-trips to rural locations. The series has become a massive ratings hit, attracting audiences of 75 million+ viewers.

While its first season in China focused mainly on the comedy of dad and kids struggling along on the trips without their mother, subsequent seasons made more of how the dads and children co-operated together to succeed in various missions and educational games. For the authorities, it ticked the box of 'purposeful entertainment', and was seen as being a good parenting tool for fathers.

In 2016, the show came under threat when SAPPRFT announced a ban on the children of celebrities from appearing on reality television. At the time, the regulators said minors should be kept out of the spotlight to allow them to enjoy a normal childhood. The current iteration of the show has side-stepped the new rules by pairing "intern Dads" with children unrelated to them, giving the popular show a new lease of life, but also creating a new controversy for itself with the strange set-up of the 'dads' accompanying children not their own.

Singer (歌手)

Singer was acquired from Korea's MBC. In each episode, seven Chinese singers perform in front of an audience of 500 people. The audience members vote for their favourite three singers, and every fortnight one of the singers is eliminated. The following week, another singer joins the competition. After ten weeks the remaining seven singers battle it out to win. The fifth season began in January 2017, renamed from *I am Singer* following the ban on Korean content by the Chinese authorities.

Who's the Murderer? (明星大偵探)

Hailed as one of the first moves away from the staples of singing and talent in the Chinese entertainment space, murder mystery challenge ***Who's the Murderer?*** was licensed from JTBC Korea's *Crime Scene*. A ratings hit, the show tasks celebrities with solving a murder, with each assuming the role of a detective or one of the suspects. The series is now in its third season.

Zhejiang Radio and TV Group

www.zjstv.com

Zhejiang Radio and TV Group is a major regional media group and broadcaster that operates 12 television channels, chief amongst them being the nationally-available Zhejiang TV. **Zhejiang TV** is the second biggest provincial channel in China.

Zhejiang TV is prioritising documentaries for acquisition and potential co-production with outsiders.

Recent notable programming examples:

Sing! China (中国新歌声)

One of China's many 'inspired by' formats - based heavily, but since 2016 unofficially, on Talpa's *The Voice*. Season two launched in July of 2017. Fairly typically of many Chinese adaptations, Zhejiang ran into trouble with the rights holders after Talpa claimed they had taken "unauthorised and unlawful" action in regards to the format.

Keep Running

Keep Running, Zhejiang TV's entertainment show, is based on SBS Korea's *Running Man*. Celebrities face off to avoid elimination in a series of humorous games and challenges.

The first season premiered on 10 October 2014. Originally named *Running Man*, the show's title was changed to *Keep Running* for 2017's fifth season, once again in accordance with the ban on Korean shows. Notably, little else about the show's content was altered. The change in nomenclature was seen as enough to distinguish the show from the original, and now outlawed, format. *Keep Running* maintains a good market share in its Friday primetime slot.

Ode to Joy (歡樂頌2)

Romantic drama based on a novel by A Nai. Five diverse young modern women who live on the fifth floor of an apartment complex are followed.

Jiangsu Broadcasting Corporation (JSBC)

www.jsbc.com / www.jstv.com

江苏卫视

Jiangsu TV is a major regional broadcaster which creates its own formats as well as working with international producers. Based in Nanjing, JSBC operates 14 television channels, lead by the nationwide Jiangsu TV.

JSBC has pedigree for importing entertainment formats, including ***Stars In Danger: The High Dive*** and ***Raid The Cage***.

Recent notable programming examples:

Tales from Modern China (你所不知道的中国)

The third season of ***Tales from Modern China*** is a one-year co-production between Lion TV in UK and Jiangsu TV. The series debuted (or returned in China's case) on the same day on Jiangsu and BBC World News in June of 2017. The factual series explores the civilisation of ancient and modern China from a global perspective. The show beautifies China's culture to the Chinese, whilst showing it off to the world via the co-producer — this flavour of programming is particularly palatable to SAPPRFT, who helped broker this deal in particular.

Super Brain (最強大腦)
In this Endemol Shine International format (aka 'The Brain' / 'Superhuman') ordinary people show off their extraordinary skills in fields including memory, hearing, taste, touch, smell and sight. In other versions of the format around the world, large monetary prizes are given to the winner. In the local version, co-developed with JSBC, due to the authorities' negative attitude to winning cash, bragging rights are the victor's only spoils.

If You Are the One (非诚勿扰)
Another 'inspired by' format, this one copied from FremantleMedia's *Take Me Out*, and a big ratings winner. Broadcast with subtitles, the series has gone on to achieve a cult following in Australia.

2.4. DIGITAL CABLE TV

Pay TV in China can generally divided into two kinds: digital cable TV and VOD/OTT services (the latter of which will be discussed in the next section).

Digital Cable Subscribers
According to projections by JPMorgan, the number of cable TV subscribers is expected to fall, dropping from 252 million in 2017 to 248 million by 2020.

There are only four government-appointed digital cable TV platforms which manage various pay-channels in China.

The notable DCTV providers include:

- **China DTV Media Inc, Ltd (中数传媒):** Backed by CCTV, China DTV operates more than 50 pay channels, also covering the widest geographic area in China. http://tv.cn/about/
- **Ding Shi Media (鼎视传媒):** operates 33 regular channels and 5 HD channels. http://www.topv.com.cn/
- **Shanghai Media Group (上海文广):** provides 15 free channels and 15 paid channels (Si TV). The group has diversified its presence in the Pay TV space, also operating in broadband TV and IPTV service BesTV. http://www.bestv.com.cn/
- **CHC Huacheng HBO (CHC华诚):** financed by CCTV-6, operating three channels and providing an OTT service. http://www.chc2004.cn/about/aboutus/

3. Online and OTT

3.1. INTRODUCTION

As we've seen elsewhere, there has been a shift in recent years for Chinese viewers to begin opting for online video platforms, over broadcast TV, as their primary source of audiovisual entertainment. Amos Neumann, chief operating officer at Armoza Formats, partners in a co-development deal with Chinese streamer Sohu, said in 2016 that *"the [Chinese streaming] market is huge and even threatening traditional TV."* In 2016, China's TV ads accounted for just 24.2% of total media ad spending in the nation, or US$18.92 billion, less than half of digital's share.

Between June 2016 and June 2017, the number of users of video streaming services in China grew by 3.7% to 565 million, or 75.2% of the nation's internet population, according to China Internet Watch.

In China, the business model locally is different from services such as Netflix, in that there commonly exists a income balance between ad-supported viewing and subscription viewing. Recent years have seen a shift in balance towards the latter - with the platforms publicly stating that they wish to move away from the majority of their capital coming from advertising - which is widely seen as a less profitable means of operation. JP Morgan has estimated that the number of SVOD subscribers in China would hit 144m in 2017.

The top three video platforms in China — **iQiyi**, **Tencent Video**, and **Youku** — account for half of all internet video traffic.

Traditional TV enterprises have also begun to build up their own streaming websites, with services like Hunan TV's **Mango TV** (http://www.mgtv.com/) and Zhejiang TV's **China Blue TV** (http://tv.cztv.com/). As traditional broadcasters enter the market, we will likely see the end of standalone on-demand streaming services paying huge fees for the rights to provide catch-up services for big TV entertainment shows such as *The Voice of China*. In this example, *The Voice* has been a valuable pickup for Tencent, which reaps huge ad revenues from streaming the Zhejiang TV original.

The big VOD players are producing more and more original content. But this honeymoon period could soon be over. Until recently, programming native to the internet was less tightly regulated than that on TV. Whilst not hampered by restrictions based on which slot a programme is placed in, or any limiting the numbers of imported formats, online is now subject to the same rules which indicate what type of subject matter is or is not permitted as TV is.

3.2. THE IMPACT OF STREAMING MEDIA IN CHINA

Prior to 2014, streaming media in China was unregulated, which led to an enormous amount of pirated and imported material. SAPPRFT regulations were applied in 2014, which immediately restricted streaming media licenses to just seven companies: CCTV operates both the online China Network Television (CNTV) and its subsidiary Future TV; CIBN is owned by China Radio International; BesTV is a subsidiary of Shanghai Media Group; Wasu Digital TV Media Group is a partner of

online giant Alibaba. There is also Southern TV, CETV and live-streaming platform Panda TV. Tencent also distributes OTT content under a sub-license from CCTV.

This has made it impossible for western SVODs such as Netflix, Amazon and Hulu to launch in China, so many have had to enter the market by stealth, licensing their original content to Chinese partners which then stream them.

Technologically, China is torn between two worlds at the moment. It has a tech-savvy population hungry for content, and has one of the highest sell-through rates for 4K and UHD televisions in the world. At the same time, internet connections are sporadic and most providers use bandwidth throttling to control demand. As a result, most OTT apps and platforms restrict their delivery to 4Mbps or lower, a level far below what is needed for high definition playback.

In order to police the material available via streaming, Chinese companies must allow the government unrestricted access to their libraries. This includes user-created content sites such as Youku, the Chinese equivalent of YouTube, as well as video platform iQiyi. This legally obligated access is one of many reasons why non-Chinese media companies, created in environments with greater data privacy, have struggled to penetrate.

Of course, any heavily regulated system will lead to people finding ways around it, and one of the biggest issues facing online video in China is the battle between censors – both state-controlled and those appointed by companies to keep their platforms “clean” – and users eager to ride the wave of streaming content, which is already massively popular. For example, the large appetite for US content – or indeed any content that is forbidden on official platforms – has led to a huge market for pirated material. The Chinese government is also known for creating new conditions for its legislation to respond to changes in audience behaviour, such as a 2016 crackdown on streaming Korean TV dramas, which were proving too popular for the state’s liking. This is another hurdle western media companies must face when attempting to break into China: there is a good chance that viewers already have access to the material they are trying to sell, via illegal free streams.

This makes China a uniquely challenging market. It is one of the fastest growing regions for OTT media consumption, yet its internet infrastructure lags behind demand. Further, the strictly controlled licenses mean that the amount and type of non-Chinese content that can be carried is both limited, and widely pirated. Yet by the nature of its “walled garden” approach, China is also ahead of many western regions when it comes to monetising streamed content. Audiences are well used to paying for access to media online, even if they pirate the content that is not available.

Any external company hoping to make headway in this area needs to partner up with a company that has a licence to stream media. Tencent has content deals with HBO and Time Warner, while iQiyi licenses Hollywood movies from Fox. Perhaps the most pertinent deal is the one struck in April 2017 by Netflix and iQiyi. This gives iQiyi the right to stream certain Netflix Originals – government approval permitting - to its users. When you consider that this audience comprises some 500 million monthly viewers, it becomes clear why even an aggressive globally-minded company like Netflix is willing to piggyback its way into the market.

The reverse is also true, of course. Tencent recently took a 12% stake in Snapchat, one of the many western digital platforms still looking for a way to create and monetise original video. It seems likely that deals such as this will become more frequent, and will act as a way for Chinese digital content to emerge into the wider market, and for western material to finds its way into China.

3.3. OTT COMMISSION PLANS AND SPLIT OF REVENUE

The four leading OTT platforms (iQiyi, Tencent Video, Youku and Sohu) have all announced their own detailed commissioning, acquisitions and revenue sharing plans for producers of original content.

In short, the model in most cases would see producers present their IP or finished programmes to OTT platforms. Around a week later the platforms will get reply with an evaluation on the IP along with a ranking (usually stratified across three to four levels) for the revenue distribution (top ranking shows achieve better advertisement and revenue shares). If agreed on the revenue split plan, both sides would sign a contract and arrange release schedules.

3.4. KEY STREAMING PLATFORMS

iQiyi
http://www.iqiyi.com/

Founded in 2010 by Baidu, one of China's largest web services companies, iQiyi is currently the biggest video website in China carrying a wealth of original dramas and unscripted programmes. By May 2017, active mobile devices using iQiyi reached 510 million with 6 billion hours' viewing time spent monthly in total on the platform. iQiyi's content expenses have been rapidly growing, swelling from US$34 million in 2012 to US$1.1 billion in 2016.

In June of 2017, iQiyi unveiled its "Dolphin Plan", which aims to develop a range of "super dramas" for online streaming. Unlike iQiyi's usual web series formats, these shows will receive larger budgets, multiple season orders and will have broadcast-length running times of between 45 minutes and an hour. In order to attract top flight talent, the company has also unveiled a new business plan which will include more competitive tendering, revenue sharing and minimum payment guarantees. Among those reported to be developing projects under the plan are film producer Sanping Han (***The Karate Kid***, ***Mission Impossible III***) and action director Stanley Tong (***Police Story***).

Recent notable programming examples:

Let's Talk (奇葩说)
An original from iQiyi, this online talkshow (currently in its fourth season) has a huge online following. Celebrities debate contemporary social issues related to love, life and work. The programme is very popular with younger viewers and consequently has secured sponsorship from Chinese tech giant Xiaomi.

The Rap of China

Credited with greatly increasing the popularity of hip-hop music in China, reality contest ***The Rap of China*** sees aspiring rappers compete with the help of celebrity mentors. Produced at a cost of over US$30m dollars and accumulating 1.3bn views a little over a month since its launch in summer of 2017, the show is demonstrative of the growing scale of digital-native shows in China. The industry is now waiting with anticipation to see who will produce the next big digital hit.

Tencent

www.tencent.com

Tencent, with a value of $37 billion is the sixth largest internet company in the world as of May 2017; only ranked behind Apple, Google, Amazon, Facebook and Alibaba. Tencent is also China's largest social network operator (owning QQ and WeChat, with a combined total of 1.3 billion active users). Tencent's large audience provides a great platform for Tencent Video (launched in 2011) to prosper.
In terms of VOD, Tencent Video reached 425 million users as of January 2017. Around 20 million are paid members.

Tencent Video invested a staggering eight times more money into content during 2016 than it did in 2015.

Recent notable programming examples:

Blue Planet II

In October of 2017 Tencent and the BBC unveiled a co-production deal for landmark natural history series ***Blue Planet II***. The series went on to be broadcast simultaneously in China and the UK on Tencent's v.qq.com platform. This followed a similar deal for Blue Planet II's predecessor ***Planet Earth II***, which was viewed online more than 230 million times in China.

Since 2014, Tencent has been buying the broadcasting rights to western programmes from groups including Warner Bros., Universal and HBO.

Youku

www.youku.com

Youku Tudou was bought by Alibaba for $3.5 billion in 2015. As well as producing and distributing original content, Youku Tudou licenses and imports outside programming including drama, films, news, entertainment, music animation and sports. Its business models for VOD range from free, advertiser-supported, to paid subscription. During fall of 2017 alone, the streamer announced 58 upcoming drama series. Youku has the exclusive Chinese licenses for several UK drama series like ***Downton Abbey*** and ***Sherlock***.

Sohu TV
http://tv.sohu.com/

搜狐视频

Another major OTT provider, with a pedigree for working with outsiders.

Recent notable programming examples:

Sohu ordered a 13-part remake of Viacom International Media Networks (VIMN)'s format ***Lip Sync Battle*** in 2015, having already commissioned a remake of US entertainment format ***Saturday Night Live*** for China in March of that year.

Sohu has also struck a co-development deal with Armoza Formats for ***The Running Show*** - an innovative talk show which sees celebrities interviewed by a host whilst going for a jog. Along the way they are greeted by a series of challenges before picking up the pace once more and continuing their exercise.

4. Producers in China

Below are some of the production companies involved most-heavily in importing foreign formats and content, and co-developing with international firms. See the attached key contacts database for information on other groups.

Canxing Production
www.xingkong.com.cn

Owned by STAR TV (Star China International Media Limited), this company has produced top rated entertainment shows like ***China's Got Talent***, ***Let's Shake It***, ***The Voice of China*** and ***Sing My Song***. CCTV, Zhejiang TV, Jiangsu TV, and Dragon TV are in close collaboration with Canxing.

In 2016, Syco Entertainment signed a three year development deal with Canxing to produce large-scale entertainment shows with export potential; the first show to come out of this deal was ***Brilliant Chinese - Path to Glory***, which launched summer 2017. In November 2017, the second show to arise from the deal debuted. ***Mom, Mate, Computer Date*** sees a singleton presented three suitors - one chosen by their mother, one by a friend and one by a big data analyst based on his/her preferences. After getting to know the three over a series of four rounds, the singleton picks one to date.

Huace Pictures
en.huacemedia.com

Huace is a film and TV media group which is supported by backing from the provincial government of Zhejiang and the municipal government of Hangzhou. The company's main focuses are investment and distribution as well as production work.

Huace mostly sells programmes to Chinese stations. Amongst the company catalogue are drama features and TV series like ***Love in a Fallen City***, ***Snow Leopard***, ***Love Amongst War***, ***Fate of a Nation*** and ***All In The Family***.

3C Media (formerly Shixi Media)
www.3cmedia.com.cn

3C Media was founded in 2004, and in 2006 acquired and produced the Chinese version of ***Strictly Come Dancing*** from BBC Worldwide for Hunan TV. The company then developed an acquisition and development strategy with international partners, which now includes formats from Banijay, Endemol Shine and Warner Bros.

Hualu Baina Blue Flame

http://www.blueflame.net.cn/

Hualu Baina, backed by a state-owned company China Hualu Group, purchased production company Blue Flame in 2014. Blue Flame's best-known programmes are ***If You Are the One***, ***Where Are We Going, Dad?*** (a co-production with XingChi Media), ***Super Brain***, ***Duets***, ***The Goddess*** and ***Crazy Magic***.

Perfect World

http://www.wanmei.com/

The company has collaborated with other production companies to create series such as ***The Legend of the Condor Heroes*** (with Singapore's Perfect Pictures) and popular entertainment shows like ***Go Fighting!***, ***Crossover Singer***, ***The King of Comedy***, ***Happy Chinese*** and ***Back to Field***.

Houghton Street Media

http://www.hs-media.cn/#

Houghton Street Media is a production company based in Suzhou province, specialising in producing 'millennial' entertainment shows. Besides close collaboration with national TV stations such as Zhejiang TV and Dragon TV, Houghton Street Media in recent years has also produced web shows for streaming platforms such as Sohu, Mango TV, iQiyi, and Youku.

Notable output includes ***Lost in Food***, a comedy-style reality show which sees celebrities and live audiences dining and discussing Chinese food, as well as visiting the farmers who grow the produce.

TV ZONE

www.tvzone.cn

Owned by Changsha TV Broadcasting Group, TV Zone's stated aim is to be the leading provider of factual television content in China - an increasingly fertile area for outside companies looking to enter the market.

The company has established trading relationships with FremantleMedia, Endemol and Banijay.

IPCN
+44 20 7637 3931
www.IPCN.co.uk

IPCN is a UK-based entertainment rights distributor specialising in the Chinese market. Since 2007 it has worked with all major international content creators and distributors and delivered over 30 primetime TV formats including ***China's Got Talent*** and ***The Voice of China***.

IPCN began its international cooperation with an ITV (UK) documentary on Chinese tourists visiting Harrods department store in London.

Shanghai 99 Visual Company

In 2017, Shanghai 99 Visual Company picked up the local format rights to ABC's hit period detective drama ***Miss Fisher's Murder Mysteries***. The deal with the original's producer, Every Cloud Productions, will allow Shanghai 99 to produce upwards of 52 x 60' episodes.

Every Cloud co-founders Fiona Eagger and Deb Cox will travel to Shanghai to work as creative consultants on the series.

XingChi Media

XingChi Media has a reputation for producing well-received reality shows. The company's key titles are the format adaptations ***Where Are We Going, Dad?*** (a co-production with Hualu Baina Blue Flame) and ***Keep Running***.

5. Trends, Regulations and Culture

Here we look at the content trends in China and what the Chinese consumer is currently watching. Perhaps more importantly we will also look at some of the more restrictive regulations imposed on the market in China - these include, firstly; quantitive restrictions on how many shows can be imported from where and when they can be aired, and secondly; what kind of content can be shown and what subject matters can be depicted.

5.1. TRENDS

NEW IDEAS

Above all, look out for more innovation and original programming, providing of course what is created can avoid the ire of the authorities. This could come from the Chinese themselves, although actual creative spark originating in China *is* still rare, or more likely from outside the nation via co-developments. Chinese broadcasters are eager to explore more diverse formats which appeal to both the Communist Party as well as the demanding Chinese audience. We've seen examples of this recently with innovative originals like ***The Running Show*** and out-of-the-box imports such as ***Who's the Murderer?***

CULTURE, HISTORY AND VALUES

As noted, in China, television trends are directly related to party leader's ideology. With President Xi's second five-year term ongoing, the media ecosystem is sure to continue emphasising the values of Chinese culture, history and values. As noted above, such regulatory demand from the government results in plenty of programming emphasising literature, education, food, architecture and technology. One up-and-coming trend to look out for is programming which integrates these 'humanity-positive' themes into game shows, unscripted comedy and other traditional entertainment shows in innovative ways.

Examples which resulted from successful international collaboration in China include ***Beautiful China***, a 'socially-purposeful' factual co-production between the UK's BBC and China's CCTV. It aims is to celebrate and reinforce political and social values by telling the stories of "people who leave. or live outside China but retain their culture."

SLOW LIFESTYLE

Another emergent trend is for 'slow pace / slow lifestyle' entertainment shows. The third quarter of 2017 saw the rise of leisurely shows like the rurally-set ***Back to Field*** and relaxed cooking series ***Chinese Restaurant***, which in some ways resemble the 'slow TV' which caused a splash in the west a couple of years ago. Other popular subject matters include pets and travel. This has been seen as a response to the high saturation of intense, argumentative and fast-paced reality game shows, think ***Running Man***, which may have overwhelmed audiences looking to relax after a hard day's work.

COMEDY

Game shows are still popular, but their production has been highly subject to piracy and illegal adaptation. Moreover, as in Europe and North America, they are not currently seen as primetime shows. All3Media's ***The Cube*** ran for three seasons but was held back by the fact that broadcasters cannot give out life-changing prize money. Contestants can win "happiness points" and convert them for low-cost consumer goods.

One notable recent example came from Hunan TV, with ***Million Second Quiz*** in 2017. Working with two UK producers on the local version, the show ran for seven nights as an event series over the Chinese national holiday.

DATING AND MUSIC ROLL ON

Despite some problems caused by regulation, dating and musical shows are still maintaining popularity.

For example, season three of Zhejiang TV's ***Sing! China*** is set to air in 2018 with ratings still going strong. This will be the seventh season in this franchise if counting the previous four seasons under the name of *The Voice of China*. Now that we are moving away from the viability of adapting the world-beating formats in this genre, leading satellite TV stations have also tried to schedule more innovative musical formats. One prominent trend in this area is pairing ordinary people with celebrity singers - as seen in Syco/Canxing co-production ***Brilliant Chinese – Path to Glory.***

In dating meanwhile, Jiangsu TV's staple ***If You Are the One*** will also continue into 2018 whilst Dragon TV will launch ***New Era of Matchmaking***.

CELEBRITIES SLOWLY PHASED OUT

Another noticeable development in unscripted is the falling prominence of celebrity participants as the government attempts to highlight the 'ordinary Chinese man and woman'. In addition to new SAPPRFT restrictions on celebrity programmes, budgets had spiralled out of control due to hugely inflated talent fees, so producers are keen to find successful shows that don't rely on big stars. However, as the funding from shows comes from advertisers who consider recognisable names the only reliable guarantee of ratings, the move towards more non-celebrity based reality or factual programming is occurring at a slow pace. The popular ***Youth Hostel*** sees celebrities and ordinary people team up to manage a hostel together.

FOOD

More and more food shows are creeping into the schedules as broadcasters search for an enduring hit, with Zhejiang's food-journeys-meets-studio-fun show ***Lost in Food*** being one example; along with Jiangsu's stripped daily show food and culture talk show ***Flavours***. Generally these are more successful when they celebrate China's food culture with VTs, studio talk and journeys, rather than competitions or recipes.

SCRIPTED

Thematically trending in scripted currently are romance and comedy, as well as youth series and 'non-political' human stories. An example ticking all of those boxes is 2017's ***Because of Meeting You***, a remake of K-Drama *Come! Jang Bori*. It follows a sincere and humble girl working as a food delivery person for a wonton shop - who is in fact the daughter of a famous embroider, having lost her memory in a car accident. As she works toward regaining her memory and rightful place in the world, love blossoms when she falls for a handsome young lawyer.

SMG Pictures and Tangren Media both have a strong reputation for producing modern romantic dramas, respectively finding success with relationship focused serials like ***Operation Proposal*** and ***Back to 20***.

Witnessing the low popularity of 2016's fantasy dramas, broadcasters have realised that more grounded modern dramas are the safer option for guaranteeing revenue right now. With the 80-episode modern drama ***Liang Sheng, Can We Not Be Sad*** selling at an impressive price USD $181 million, the industry is optimistic on this genre in 2018.

According to the quota regulation on historical dramas made in 2015, each satellite station cannot broadcast such dramas as more than 15% of all its drama titles at primetime, in each month and each year. This results in the historical dramas which are purchased being lavish and expensive affairs. There area handful of high-profile historical epics on the horizon for 2018, including Hunan's sweeping ***The Rise of Phoenixes*** - "*a story of power, desire, lust and love among people of different kingdoms in ancient China*".

Besides modern romance and historical epics, spy dramas also receive large attention not only because of the success of ***In the Name of People*** and other popular espionage titles in 2017, but also under the state's positive depiction of spying as a tool to undermine the nation's various enemies.

Genre shows following the police and medical professionals are also retaining their popularity. Streaming site Le TV's ***ER Doctors*** proved hugely popular in 2017. Phoenix Media's ***Day and Night*** meanwhile is probably the most successful crime drama in Chinese TV history.

5.2. REGULATIONS

When looking at the Chinese TV market it's important to understand what isn't allowed on air - which unfortunately is a considerable amount. It is impossible to underestimate the importance of the wide-ranging governmental influence of state regulator SAPPRFT (The State Administration of Press, Publication, Radio, Film and Television of the People's Republic of China). Those looking to work in China should be well-versed in the policies imposed by the body.

SAPPRFT's main purpose is to administer and supervise the government departments engaged in radio, television and film. It directly controls state broadcaster CCTV as well as China National Radio and China Radio International.

The body is responsible for censoring any material that may offend the Chinese government or Chinese cultural standards, and has previously banned outright

Super Girl

shows like ***First Heartthrob*** and ***Super Girl***, accusing them of having a 'negative effect on the spiritual health of the nation and preservation of national culture' — in the case of the former, and promoting 'superficiality' in the case of the latter. Shows which unabashedly go against 'socialist values', which in this context rather vaguely encompasses ideas like honesty, integrity and resilience, will always be at risk of never reaching air. See the culture section below for more on the specific issues the SAPPRFT is taking aim at.

SAPPRFT has also imposed quantitative restrictions on numbers of certain genres of shows, the length of episodes and seasons, and in which slots certain shows can air in.

Online content was previously less subject to regulation than broadcast TV, but internet restrictions are now rapidly 'catching up' to linear TV.

SAPPRFT
http://www.sapprft.gov.cn/

Summary of major SAPPRFT regulations from the past six years:

- **February 2012 -** Satellite TV broadcasters were **forbidden from broadcasting finished programming acquired from outside of China in primetime (7pm - 10pm)**. At other times, the total airtime is regulated - one imported title cannot comprise of more than 50 episodes for example.

  Essentially, following this regulation, almost no finished tape foreign TV series can be seen on linear TV.

- **April 2015 -** Online video sites must acquire a programme transmission license to broadcast foreign films and TV series. Each website cannot broadcast foreign acquisitions totalling more than 30% of last year's domestic programming.

- **July 2015 -** Reality shows must feature "ordinary" people, and cannot feature any content which fuses reality and scripted content.

- **July 2016 -** Wide-ranging policies designed to improve the independence of the local industry in China were introduced. Another focus was further reorienting primetime TV programmes to reflect China's socialist core values and traditional culture. As such:
  - TV stations are required to report to the provincial government with their foreign format broadcasting plan two months before the programme is aired. **Stations are only permitted to broadcast one new imported format per year.**
  - **If broadcasters have collaborated with foreign production companies on a piece of content but do not fully own the copyright of the finished product, then the government will consider the programmes to be foreign formats, and thus subject to further foreign format regulations.**
  - **Satellite TV channels can only air one season of one reality show per year.**

- **December 2016 -** To be given the go-ahead to stream online, SAPPRFT requires that original online programmes are submitted along with a document

describing the show's content and subject matter. Certain topics (government policy, army, diplomacy, national security, nationality, police, judicature and medication) are not permitted unless specially-approved.

- **June 2017- The programming on all digital platforms is subject to the same content standards as radio and TV programmes**. This regulation has led to the closure of several platforms. It's important to note that even though all online video programming is now subject to content censorship, there are no regulations about time slots, and regulations around the ratio of domestic to imported formats are less strict. Therefore, format sales and collaborative productions with these video platforms can be more viable.
- **August 2017- Imported formats are no longer allowed to air on satellite TV in primetime (7-10pm) whatsoever.** For other time slots, only one season of an imported format is allowed to air during the course of one year.

5.3. CULTURE

Here we look at the types of content, which because of officially ratified censorship or the wider cultural aspects of Chinese society, are rarely seen on television.

No Go Areas

My Phone Genie

Worryingly telling of the wider political/cultural climate are restrictions on depictions of homosexuality and religious activity. Other restrictions fall on overly sexual or violent scenes, and depictions of 'luxurious lifestyles' as well as drinking and smoking.

More esoteric 'no go' areas include time travel, cleavage, ghosts, explosions, one night stands and superheroes. Mediatoon Distribution's ***My Phone Genie*** — a British children's live action drama where a phone app generates a genie — was taken off air because it contravened two forbidden areas: it featured individuals deemed 'super' by SAPPRFT, and the phone app featured was said to encourage gaming.

Gambling and Prizes

Culturally, gambling is a major pastime in China; however on TV prize money in game shows is limited because anything which related to gambling is prohibited onscreen. In general, the prize will be a gift from sponsors instead of cash.

There are also restrictions on the contestants in talent shows, who may win for example a recording contract or managed tour, but cannot win a big money prize.

The ever-present SAPPRFT is very concerned that viewers should not be corrupted, morally or socially, by large cash prizes, and this too is indicative of China's political state; it is perceived as good to make money and become rich, but through hard work and perseverance, not by answering a question in a game show. The restrictions prevent any format that would offer contestants a life-changing financial prize.

Voting and Live TV

China is not a democracy, so voting en masse does not feature in society at all. This extends to TV shows, where live audiences may vote on a small scale, but audiences across the country are not able to influence the outcomes of programmes by voting. In tandem with the tight control on what content goes out, this has meant that live TV is practically non-existent in China, outside of big event extravaganzas. This has meant that the industry doesn't have expertise in creating live TV.

6. Acquisition, Co-production and General Tips

In this final section, we will look at the more business oriented-aspects of the Chinese market. Namely, we will touch on the rare but still possible licensing of formats and sales of finished tape into China, and the promising yet still challenging areas of co-developments and co-productions. Lastly, please find a run down of the general tips we think are the most useful when looking to work in the market - which although enticing monetarily, is littered with some rather unique pitfalls.

6.1. FORMAT ACQUISITION

Strictly Come Dancing

For entertainment show licensing, 2007 was a key year for China, with early pickups including Hunan taking on the BBC's ***Strictly Come Dancing*** and FremantleMedia's ***Take Me Out***.

The now very distant-seeming peak of entertainment format sales into China occurred in 2012/13. In 2010 there were only three imported entertainment formats airing, 2-3 years later this had rocketed to around 30.

The dramatic downturn which followed was of course due to the aforementioned regulations aimed at boosting self innovation. Now imported formats cannot air in primetime (7-10pm) whatsoever on satellite TV (see *Restrictions* above for more).

License Fees

Whilst format license fees can be as much as US$8 to US$15 million per series for formats with high end growth, and ***Where Are We Going, Dad?*** reputed to achieve US$100K format fees per episode, most format license fees are under US$10,000, and generally between US$3,000 and US$5,000 per episode.

CCTV is reportedly very difficult to penetrate and pays only US$3,000 per episode in license fees. However, it does have the advantage of being under the auspices of SAPPRFT so a licensed format is virtually guaranteed to reach air.

Pre-exclusion of Korea from the Chinese market, remakes of K-dramas could cost US$400K or more.

The Value of Expertise

Besides the format itself, Chinese broadcasters and producers who do consider adapting foreign formats are looking for any added consultancy value in terms of production skills, professionalism, workflows and technological short-cuts that can better control the quality and save on budgets. Although naturally, Chinese companies are now steadily becoming more comfortable with taking the production reins themselves.

Keep Running

Running Man is one example of the above approach in practice; Zhejian TV purchased the format at the price of US $4.8 million from SBS in 2014. The Korean director, screenwriter and the film crew travelled to China to co-produce for the first season. Learning from the collaboration in season one, the Chinese crew started to take control in seasons two and three but SBS still assisted with plot planning and video editing. Zhejian TV independently launched season five in April 2017 with a new title, ***Keep Running***, now much more comfortable leading the way itself.

South Korea's fall from grace?

Before the diplomatic crisis which erupted over South Korea's use of the Terminal High Altitude Area Defense (THAAD) antimissile system, Korean formats and dramas were by far the most popular choice of import for Chinese broadcasters. This has come to a jarring halt with the unofficial but stringent ban of formats from China's east asian neighbour. While it lasts, this ban represents an opportunity for creators in other parts of the world.

However, with tensions between the two nations cooling down as of the end of October 2017, things could soon change in this area. This is indicative of the somewhat fickle nature of the restrictions on the Chinese media's dealings with the outside would. As stated earlier in the report, K-Pop girl group Mamamoo's performance on a provincial satellite channel seems to indicate that this ban on Korean pop culture could be coming to an end. Whilst it does not appear that K-Drama remakes and officially licensed adaptations of Korean variety shows have made it back to air or online services in China as of the writing of this report, it does seem that things are moving in a positive direction. *"We're aware that some small online video services have contacted Korean companies to resume imports of TV shows. I also foresee some joint Korean-Chinese projects to resume in the near future,"* an anonymous source quoted in the International Business Times claimed.

6.2. FINISHED TAPE ACQUISITION

In general, SAPPRFT does not encourage Chinese society to 'chase western ideology', which extends to viewing audiovisual content produced there. Accordingly, importing finished programming into China is increasingly rare.

Linear TV finished tape acquisitions

For acquired foreign finished tape of dramas and comedies, due to the regulations brought into effect in February 2012 banning western acquisitions from airing in primetime, linear TV broadcasters in China generally no longer acquire foreign dramas in their finished form whatsoever.

Online finished tape acquisitions

Streaming platforms started to purchase large amounts of foreign dramas and documentaries around 2010. In 2013, Sohu led the way purchasing 103 titles whilst iQiyi and Tencent also acquired around 60 titles. However, following changes to regulation in 2015, such imports have slowed down; mainly because of the harsh

censoring of the content itself, as well as the large time delays involved with submitting content for auditing.

Nevertheless, there are still few foreign scripted and documentary series available online in China, including plenty of American dramas and comedies. Tencent Video continues to stream ***Game of Thrones*** from HBO, and has picked up the landmark ***Blue Planet II*** from BBC as part of a co-production deal (see Tencent in the Online and OTT section earlier).

Rellik

Especially of interest in the context of this report, is the news that iQiyi has acquired All3media/BBC dramas ***Rellik*** and ***The Miniturist***. This isn't the first deal of this kind that iQiyi has made - it has carried some Netflix Originals, and US network shows such as ***This Is Us*** and ***Inhumans*** - but this latest deal suggests there is a market that can support less high profile shows, provided the quality is high enough. Even if only a small fraction of China's vast potential audience is turned on to such smaller-name TV dramas, it would still represent a potentially seismic new market.

6.3. CO-PRODUCTION AND CO-DEVELOPMENT

According to regulation introduced in 2008, to qualify as such, a co-production needs to be a co-investment between a Chinese company and an outside party - with decision-making and aspects like responsibility for script-writing shared between the two. Furthermore, the production should not have less than a third of Chinese crew. The resultant IP would traditionally then by shared between the both parties.

However, as of 2017, if the Chinese party has collaborated with a foreign production company but does not *fully* own the copyright on the finished product, then the government will consider the programmes to be foreign, and thus subject to the foreign format regulations detailed above.

With Chinese TV co-productions still a developing area, it seems there is a fair amount of leeway in regard to how such deals are structured, whether it be a split of distribution rights or a division of production labour bringing investment to a specific area.

It cannot be overstated that before a co-pro or co-dev deal is struck with a Chinese firm that the other partner must be ready to play hardball, and ideally have a brokerage company in place to help with negotiations and fight their corner (see *General Tips* below for more on this).

(Note: also see the relevant sections detailing China's leading broadcasters, online services and production firms for further details of recent co-productions and co-developments).

CO-PRODUCTION AND CO-DEVELOPMENT CASE STUDIES:

- **Treaties**

- In 2014 China and New Zealand signed 'the world's first television co-production treaty'. To jump start co-productions between the nations a NZ delegation visited Guangdong, Shanghai and Beijing later that year.
- Two years later, in December 2016 this was followed by the signing of the UK-China Television Co-Production Treaty. UK-based TV production trade advocacy body Producers Alliance for Cinema and Television (PACT) said of the agreement: *"We're already seeing real interest from both countries in working together across a range of projects, and it can only benefit UK indies looking to expand their businesses overseas"*.
- PACT went on to begin operating a 'creative exchange programme', which was aimed at fostering relationships between execs from both nations. At the beginning of 2017, a delegation of ten executives from top Chinese broadcasters and leading production companies visited the UK, spending time with a number of UK equivalents. The Chinese delegates were immersed in the UK firms' operations, seeing first-hand how they were run and how they created content. The agreement is expected to be fully ratified by the end of 2017. It would be well worth keeping and eye on how this treaty works out as a model for a potential China/Finland deal.
- An earlier visit to China by UK television producers organised by PACT in early 2014 stimulated a number of conversations between Chinese and British producers concerning the development of new formats. Whilst Chinese producers now enjoy state-of-the-art facilities and increasing experience, there is still a realisation that creativity or frontline expertise is not as easy to develop. For example Lapierna's social media reality format ***I Want To Have a Million Friends*** (winner of the Content 360 MIPTV Cross Media Festival) was licensed to China, but the technological demands of the format resulted in requests for western assistance from PACT.

- **Factual and Documentary**
  - With less outside formats penetrating the nation, factual and documentary are currently the easiest ways to enter the Chinese market. Without the need to cede the IP rights to a format, they can also be a strong choice in terms of profitability. SMG's Yunji production branch and CCTV's production department are two entities in China which have been actively co-producing documentaries with foreign companies such as BBC Worldwide, Discovery, National Geography, A+E Networks, KBS and MBC.
  - Australian factual producer WildBear Entertainment co-produced historical documentary ***The War That Changed the World: The Making of a New China*** with CCTV. As expected, the tone of the series is overwhelmingly positive towards China, showing how it courageously fought back against Japan in WW2. It is commonplace for elements of pro-China messaging to be a condition of such co-production deals. Under the deal, CCTV sells the series across Asia, while WildBear works with regional distributors, such as Wild Thring Media in the UK, for sales elsewhere. The

The War That Changed the World

China From Above

show debuted on CCTV10 and Australia's History Channel in September of 2016.

- In another example from Oceania in 2016, CCTV also collaborated with New Zealand's NHNZ on a pair of mutually beneficial travel documentaries – ***Glamorous New Zealand*** and ***Glamorous China*** – which have screened in both countries in an attempt to boost tourism between the two. The success of this deal in turn led to more collaborations with CCTV, including two children's TV shows — ***Panda and the Kiwi***, and ***ZooMoo: Animal Friends*** — as well as a documentary series on the Silk Road trade route.
- In another reciprocal deal, this time from the UK, CCTV and ITV News collaborated on the factual documentary ***Britain From Above*** (Skyworks). This led to a project to adapt the format and make ***China From Above***. Both looked at their respective country from a birds-eye-view, giving a new perspective to urban and rural areas.

- **Reality and Variety**
  - As mentioned earlier, SBS sold not only the production and format rights of ***The Running Man*** to Zhejiang TV but also sent its production team to assist, and requested a share of advertising revenues on top of the format fee. This is quite common; unlike the UK industry, where indies mostly rely on production fees, distribution fees and international format sales, Chinese independent production companies can ask for shares of advertising revenue, approach sponsors and share the sponsorship with the broadcaster, and can ask for a share of on-demand services' distribution rights.
  - In November 2016, Hunan TV premiered comedy variety show ***Number One Surprise*** on its flagship satellite channel and on its streaming platform Mango TV. The show is an original developed specifically for the Chinese market by local company XG Entertainment and the US-based STX Entertainment. The premiere was watched by nearly 300m viewers.
  - One agreement which did generate a lot of column inches in both the east and west was the three year deal between Simon Cowell's Syco Entertainment and Chinese prodco. Canxing Production/Star China, signed late in 2016. The deal has already yielded one success story in ***Brilliant Chinese — Path to Glory***, which debuted to large audiences via CCTV in the summer of 2017. More than 120m people watched the fifth and sixth episodes of the show, which aired in primetime on CCTV1. It sees ordinary people - adults and kids, who are talented in singing, dance etc compete. The most skilled are mentored by well known judges, who mould their new charges into full blown TV stars. As noted above, pairing normal citizens with stars is a big trend in China right now.
  - At the 23rd Shanghai TV Festival in June 2017, Fox Networks Group and National Geographic signed co-production contract with SMG's Yunji Media for ***Mars 2033***, a space reality documentary series following the astronaut training of six Chinese people.

- Also in the reality space, Yunji Media has another deal with the Discovery Channel for a local version of ***Bear Grylls's Absolute Wild***, which will feature a Chinese star's outdoor adventures.
- Deals announced from MIPCOM 2017 include the UK's Zig Zag partnering with 3C Media on a physical-challenge game show format called ***Ancient Games***. The deal was made with plans for Chinese, English and international versions. The Chinese side—3C Media—owns the international rights outside of the UK and USA.
- A new sports/tech-driven gameshow format, ***Future Glory*** is a joint venture between UK prodco Om TV and 3C Media. Featuring high-octane head-to-head sport battles, the format was picked up by Hunan TV to broadcast in 2018.

Scripted

- In scripted TV, co-production treaties currently trail film treaties, and given the extra development time needed for drama – particularly with an international story – there are so far few notable examples of Chinese co-productions in the space. Indeed, the limitations of filming drama in China, such as requiring government sign-off on any scripts shot in the country, mean that projects such as ***One Girl***, the BBC miniseries about China's single-child policy, are often filmed in Hong Kong, where those restrictions do not apply, rather than the mainland.

Speed

- Australian production company 57 Films has found one way around the above issue, by collaborating with China's Ciwen Media on street racing drama ***Speed***, the first Chinese drama to shoot in Australia. Under the terms of this deal, Ciwen is the lead production entity, while 57 Films provides logistical and infrastructure support to the production as it shoots in and around Adelaide. The local Australian government, via the South Australian Film Corporation, has also invested in the show in order to bring production to the city, and to attract more tourists from China. This mix of local and international funding, especially in regions hungry to bring media productions and tourists to their shores, seems like a good model for future projects.
- One of the most interesting recent co-production agreements to be made is China, France, Germany, Australia co-production ***Farewell Shanghai***. Following a group of European Jewish refugees living in Shanghai during the Second World War, the series comes from groups including China's Shanghai Media Group Pictures and Holy Mountain Films, as well as France's K'ien Productions and Breakout Films, Australia's AMPCOO Studios and German broadcaster NDF. The series will be shot in English with an extended Chinese version also produced. The fact that it brings together producers from so many different nations should be heartening to those in smaller markets.
- In spring 2017, Tencent came aboard ***The Trading Floor***, a financial thriller from Fox Networks Asia and Focus Television. The five-part series follows five "financial mercenaries" as they try to dominate Hong Kong's stock market on behalf of their clients. Fox aired the series on its Asian movie network SCM, while Tencent debuted the series digitally in mainland China on the same day.

6.4. FUNDRAISING AND SPONSORSHIP

CCTV allows production companies to talk to advertisers directly for sponsorships (a primetime entertainment show would normally acquire three to five on-air sponsors). CCTV will pay for the production costs, but the production company has to pay the broadcaster a "slot fee".

The slot fee is normally calculated based on the sponsorship sale for programmes that were broadcast in the same slot in the previous year – the current "slot fee" is reported to be around 1.5 times the previous year's sponsorship sale.

For example, in 2015 a programme broadcast on Saturday night in primetime in July achieved a 10 million RMB sponsorship sale, thus the production company has to guarantee that its programme will get at least 15 million RMB sponsorship sale with the help of CCTV's ad department. If not, CCTV will reduce the amount of money that it pays in the end for the production fee.

In reality, CCTV rarely pays production costs in advance or during production. The production companies usually have to finance the programme first, and claim the production costs back when the programme is on air.

With regard to satellite channels like Dragon TV and Zhejiang TV, production companies are also allowed to talk to sponsors and share sponsorship revenue with the channel; if the production company gets a good deal, it can share up to 30%. However, the production company has to cover all production costs. For Dragon TV, the company has to not only cover production costs, but also pay a 4.5 million RMB "slot fee". As a result, if the 30% of sponsorship share the production company gets can't cover the production fee and the 4.5 million RMB "slot fee", there is no point in the company making the show for the channel.

But these and other potential split revenue models might still be well worth independent producers exploring, particularly in relation to e-commerce, as Chinese broadcasters and investors are very keen to tie programmes in to online sales in areas like fashion and beauty. ***Project Runway*** is one show that this model has been tested on.

6.5. GENERAL TIPS

- The Chinese government itself is eager to see more Chinese media companies working with outsiders as a way to promote trade as well a greater understanding of Chinese culture on a worldwide basis. This 'march out into the world' however is envisaged as one showing off Chinese prowess and culture, rather than being built on imported ideas and content.
- Regarding the stifling effect of the recent restrictions on imported content - such extreme exclusionary measures are not expected to last. As noted previously, the thawing of relations between China and South Korea for instance could soon mean the end of the current content ban. For the most part, excluding foreign formats and ideas from the Chinese market is not having the intended effect. Rather than becoming more creative, many parties in China are instead regressing to the 'copycat' content which saw the heyday of the import format boom in the first place. Local producers have once again begun recreating hit

foreign shows without acquiring the official rights to the formats. It may be wise for those involved in the format game to 'wait it out' until the situation begins to improve.

- Keeping in mind the 'inspired by' formats still in the Chinese market place - new entrants should make sure they have NDAs in place for everything and leave no treatments, trailers or episodes behind after a first visit to China.
- With China no longer buying formats in quantity, those who do want to enter the market must place an emphasis on quality: channels will be judged on their buying success and the commercial value of the acquired show. There is fierce national and regional competition, even outside of primetime, for advertising revenues. Broadcasters want to rise up the national ranking list, and they want to benefit from a successful format with a track record in a few overseas territories.
- The big question small-to-medium sized companies must ask themselves before forging an agreement or co-pro deal with a Chinese firm is whether, if ownership of the IP has to be ceded, the deal will still be worth it monetarily? If the two companies can come together and fairly share ad revenue and any international sales of the finished product, this will be a step in the right direction.
- One way of doing business in China which may be alien to outsiders is through social messaging app WeChat. Offering free video calls, text messaging, conference messaging and more, most Chinese professionals opt to use the app over even email when it comes to business. The Tencent-owned application allows others to be quickly added to one's contacts via the scanning of a QR code, with no need to exchange numbers or physical cards. Its more than 700m users spend more than a third of all their time on the mobile internet using the app.
- It should be noted that when conducting business in China, it is the norm for unexpected changes to be made from the Chinese side throughout the process, up to and including the last minute. An ability to be firm while negotiating these situations is important, and some businesses hire third parties from outside China to represent their interests. This is often achieved through a distributor, or in collaboration with a larger business which operates in the territory. One highly reputable brokerage partner is the London-based The Bridge. Involving such a party is more-or-less a necessity for small and medium-sized companies which don't have prior experience of working in China.
- Good legal representation and the ability to play hardball is an absolute must when dealing with businesses in China. Ideally any money you expect to be paid to you as part of a deal should be in your account before you even board the plane - otherwise one runs the risk of not being properly remunerated, or having what is expected of them changed without warning whilst money is withheld.
- Note that the Chinese partner will usually deal with SAPPRFT on the outsider's behalf. This approach lessens chances of conflict arising and there will likely not be a need to submit scripts etc.
- Delegating less senior members of staff to deal with the higher-ups of a Chinese company is a huge faux-pas.

EVENTS TO ATTEND

Shanghai TV and Film Festival
http://www.stvf.com/stvf2017/english/

Shanghai TV and Film Festival (STVF) was first held in 1988. This festival, held annually in June, is one of the biggest TV industry festivals in the whole of Asia. It aims to strengthen international collaboration and communication. The annual Magnolia Awards, regarded as the industry's highest honours, are awarded to both international and domestic productions.

China Television Drama Flying Apsaras Awards
http://tv.le.com/izt/jinyingjiang2016/index.html

Also known as the Feitian Awards, this biennial awards ceremony is held by SAPPRFT; and is therefore seen as the highest government honour.

7. Film in China

Following a huge boom in the industry which started around 2012, China is on track to surpass Hollywood as the world's biggest box office market by the end of 2017. Many western-produced films now gross bigger at the box office in China than they do at home. Hollywood's ***Hacksaw Ridge*** for example grossed US$16M in the US and US$70M in China. In spite of this, the market is showing signs of slowing down, with ticket sales only increasing by 2.4% in 2016, compared to a staggering 49% in 2015.

China allows a limited number of foreign-produced films to be imported into the nation each year. This includes a limited number which are allowed revenue sharing distribution, and another batch which receive a flat fee from the Chinese distributor. As in TV however, co-producing with a Chinese firm can sidestep this restriction.

Including co-productions between China and other nations (but excluding those hailing from Hong Kong), 2016 saw 121 'foreign' feature films released in China, this is up significantly from 71 in 2013. Of those 121, 59 hailed from the US, with a further 19 being co-productions with a Chinese company. Only 42 films from other nations were able to secure release - nearly half of them from Japan and the UK, but also included were titles from territories including Russia, France, Belgium and Germany.

Feature co-productions in China fall into three categories:

Co-production:
A film jointly invested in and produced by a Chinese company and a foreign company. With the resulting copyright being shared between the two parties, such productions will receive preferential treatment comparable to that received by domestically produced Chinese features.

Assisted Film:
A film financed by an intentional company but produced in China with labor/facility/equipment assistance provided by Chinese companies. With the foreign company taking all the copyright, such productions will be subject to the same restrictions and imported films.

Entrusted Film:
A film fully entrusted by a Western group to a Chinese company to produce in China. With the foreign company taking all the copyright, such productions will be subject to the same restrictions and imported films.

CO-PRODUCTION

Many Chinese production groups are looking to gain an international foothold and extend their influence beyond the Chinese borders. Working with foreign firms at this relatively early stage in the development of the Chinese film market will allow native groups to learn what it takes to create a finished product which will have appeal outside of China's own borders. As in TV, there is also an enthusiasm to export and extoll the cultural values of China to the wider world.

The year 2016 saw a total of 89 feature co-productions approved to begin shooting, a figure up 11% on the previous year. Unfortunately, outside of a couple of big players few others are managing to enter the market in this way. Of those 89 co-productions, 54 were between groups in the Chinese mainland and Hong Kong, and 10 were China-USA deals. Eight of 2016's top ten grossing Chinese features were co-productions.

Recent years have seen Chinese co-production treaties signed with France, the UK and other nations. As of 2010 only three such agreements were in place. Since then many more, with nations including France, New Zealand, Singapore, Belgium, Britain, South Korea, India and Spain, have been signed. Finland does not currently have a co-production treaty with China.

The film industry is fairly advanced in its co-production dealings with China, thanks largely to the stringent restrictions on foreign movies in Chinese cinemas. With only a few dozen overseas productions allowed into China's rapidly growing theatrical market, the benefit of an official treaty-based co-production is that the resulting movie is then classed as 'local' as far as the Chinese market is concerned, and

does not need to fight for a coveted release slot. Naturally, it would be extremely advantageous for Finland to secure a treaty with China.

Films that have benefited from this sort of deal include ***Iron Man 3***, for which Marvel partnered with Chinese distributor DMG Entertainment. The local version of the movie featured four minutes of additional scenes featuring Chinese actors Fan Bingbing and Wang Xueqi, shot separately from the main production, as well as product placement for Chinese brands and companies such as electronics firm TCL and industrial corporation Zoomlion.

More controversial was the prominent inclusion of milk drink Gu Li Duo, manufactured by Lili. In 2012 the company was forced to withdraw baby formula milk from the market after mercury contamination, and the inclusion in the Chinese version of Iron Man 3 the following year was seen - and widely criticised in China – as part of an ongoing government campaign trying to reassure consumers that the drink was now safe to buy. This sort of imposition is one of the potential pitfalls of a co-production in a country where the government exerts such influence over the media and its content.

Earth: One Amazing Day

Also being released as a result of co-production treaties are factual projects given theatrical releases. In 2015, BBC Worldwide struck a deal with Shanghai Media Group Pictures to collaborate on the natural history feature film ***Earth: One Amazing Day***. The deal also allowed that year's feature length special episode of ***Sherlock*** to be released in Chinese cinemas, with the original show having already proved a popular import.

One high-profile upcoming release from a smaller territory is the animated ***Beast of Burden***, which hails from New Zealand.

GENERAL TIPS

- Richard L. Anderson, a Special Achievement Academy Award winner, drew an analogy between film co-production with Chinese firms and a marriage, *"The two companies need to really decide if they can live together and what do they expect out of marriage? What are the children (projects) going to be like?"*
- Anderson has also speculated that the trend for 'tacking on' a few China-set scenes or bit-part Chinese actors as a ploy to appeal to Chinese audiences could soon become obsolete. Departing from this methodology, as film distribution becomes more advanced, audiences will instead value "good stories, regardless of where they're from". Still, finding a balance between a production which will simultaneously appeal to Chinese and Western audiences will be a challenge.
- Authorised by SAPPRFT, the China Film Co-Production Corporation (CFCC) is a body charged with administering affairs relating to Chinese-foreign film co-productions. As well as a good source of information on co-production policies related to feature film, the CFCC assess and approves international co-production applications, as well as reviewing the finished product. It can also assist with obtaining visas and granting customs approval for importing filming equipment and other materials to be used in co-productions. Amongst the useful

resources on the CFCC site is a rundown of the application for pre-approval, production and review process (http://www.cfcc-film.com.cn/introeg/busine.html).

Colonia

- Securing a cinematic release for a film from a smaller territory can be be tough. Other avenues to explore include releasing it via one of China's online video services. The German/French-produced ***Colonia*** for example has been sold to stream online. This followed it being shown at the fourth Festival of German Cinema held in Beijing.
- Filmmakers unwilling to censor their film and sacrifice art for profit are unlikely to have a positive experience attempting to secure a cinematic release.
- In China, both the production and distribution of a feature film is usually carried out by the same company. Leading local companies include CFGC, Huayi Brothers, Enlight Pictures and LeVision Pictures.
- Films which are not official co-productions but which do manage to reach China can often be subject to extensive cuts. The most excessive example of this is 2016's ***The Lost City of Z*** - which when released in China was 37 minutes shorter than the 141 minute original.
- According to SAPPRFT restrictions, the proportion of the 'major actors' hailing from the nation of a foreign co-production party should not exceed two-thirds of the total number of the 'major actors'.